

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7402

BILL NUMBER: SB 305

DATE PREPARED: Jan 19, 2001

BILL AMENDED:

SUBJECT: Informal dispute resolution.

FISCAL ANALYST: Kathy Norris

PHONE NUMBER: 234-1360

FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the State Department of Health (the Department) to contract with an independent organization to operate the informal dispute resolution process required by federal law. It specifies that the independent organization with which the Department contracts must employ or contract with an interdisciplinary team composed of persons with certain qualifications. It requires the Department to assure that members of the interdisciplinary team are knowledgeable about health facility operations and receive training regarding federal survey and certification and state licensure requirements.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The Department could experience an increase in administrative expenses regarding the provisions of this bill. Annual estimated costs to the State could total approximately \$90,000. (Estimated costs are based upon a similar program conducted by the State of Michigan where informal dispute resolutions are reviewed at an average cost of approximately \$128 per case; 1998 figures.)

Under current federal law, states are required to offer nursing facilities that provide services to Medicare and Medicaid beneficiaries an informal opportunity to dispute cited deficiencies resulting from surveys conducted by the Health Care Financing Administration (HCFA) within the Department of Health and Human Services. (Surveys are typically conducted via state survey agencies.)

The Department currently abides by this federal law and conducts informal dispute resolutions via Department personnel concerning survey deficiencies. (Informal dispute resolutions can be conducted either via correspondence or via face-to-face meetings.) In 1998, the Department conducted informal dispute resolutions in response to approximately 700 survey deficiencies. *(This number will be updated when a new figure is made available from the Department.)*

In accordance with this bill, the Department would be required to contract with an independent organization

to operate the informal dispute resolution process described above. The independent organization would consist of an interdisciplinary team of one or more of the following individuals: 1) a registered nurse; 2) a social worker; 3) a dietician; and 4) a licensed administrator. The Department would be required to assure that each individual be knowledgeable about and receive training regarding health facility operations.

By utilizing independent contractors, the State could experience an increase in the number of informal dispute cases that are reviewed, consequently increasing the cost beyond \$90,000. In addition, the Department would likely experience an increase in administrative expenses regarding the training of its interdisciplinary team.

Finally, the Department could experience opportunities to reassign personnel who are currently performing duties regarding informal dispute resolutions absent this bill.

Background- Currently there are approximately 600 state-licensed nursing facilities in Indiana, of which approximately 580 are certified by the federal government to provide services to Medicare and Medicaid beneficiaries. Nursing facilities that receive survey discrepancies are allowed to do the following: 1) submit a plan of correction which outlines how discrepancies will be resolved; 2) request an informal dispute resolution, and if the facility does not agree with the outcome; 3) request an administrative appeal via a Department administrative law judge; or ultimately 4) request a court hearing outside of the administrative process.

More than 2,000 survey discrepancies can be noted during a single year, of which approximately 35% to 40% are resolved through the informal dispute resolution process.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Department of Health.

Local Agencies Affected:

Information Sources: Marilyn Cage, Indiana State Department of Health, (317) 233-2170; <http://www.state.in.us/isdh/>.